

Good Afternoon,

My name is Joe Meyer and I am Director- Corporate Benefits for ALLTEL Corporation. ALLTEL is a Fortune 500 telecommunications company with over 20,000 employees in 26 states. Little Rock is home to both the company and over 3,000 of our employees.

ALLTEL offers its employees a choice of health care plans to choose from and provides an equal dollar subsidy towards the cost of each plan. ALLTEL contracts with a sufficient number of HMO's to allow employees the opportunity to access a wide range of providers participating in managed care networks.

Employees then choose the health care plan that best fits their needs and the plans compete for membership. This results in Employees paying more to participate in higher cost plans.

Single Coverage	Company Monthly Subsidy	Employee Monthly Contribution
PPO	\$220	\$80
HMO 1	\$220	\$75
HMO 2	\$220	\$42
HMO 3	\$220	\$30

Family Coverage	Company Monthly Subsidy	Employee Monthly Contribution
PPO	\$545	\$324
HMO 1	\$545	\$317
HMO 2	\$545	\$164
HMO 3	\$545	\$190

The monthly subsidy provided by the Company is not determined by the cost of any one-plan option or directly tied to the rate of health care inflation. Rather it is set based upon the company's ability to increase revenue in order to offset the expense or as an offset to wage increases. Based on the circumstances in any given year we may forgo increasing the subsidy, increase it by the same percentage as the salary budget, or at some greater amount up to the level of health care inflation. We find this is preferable rather than an open commitment to employees to subsidize X% of the premium each and every year as most companies revenues are not growing at the same pace as health care expenses.

During the last several years there has been considerable change in the health insurance marketplace. In the mid to late nineties we offered five different HMO type products as well as an indemnity plan to our employees in Little Rock.

This competition resulted in minimal increases to our health insurance premium costs for the first few years. However, beginning in 1999, as the managed care industry consolidated we lost both HealthSource and Prudential. Both successor companies AETNA and CIGNA withdrew their HMO products from Little Rock.

The cost of health insurance has continued to increase dramatically since 1999. In Little Rock our health care premiums have risen an average 16% per year since 1999. While the actual premium levels are slightly lower than the average of our other markets, the rate of increase in premiums over the last four years has been greater than the 13% annual rate experienced elsewhere.

While we continue to offer three HMO options, along with a new PPO option, in order to maintain the affordability of health insurance for all employees we have increased copayments for office and emergency visits as well as introduced hospital deductibles. We have also carved out the pharmacy benefit and introduced a 3-tier formulary. These actions require the users of health care services to pay more of the cost than they were required to in the past.

In making the decision as to which health care plan to enroll in, employees consider the cost to them in premium and co-payments as well as the hospital and physicians in each network. Since most physicians and many specialists participate in more than one network and the plan designs are also similar most employees consider premium cost and hospital affiliation.

In Little Rock if you want to access Baptist Hospital you need to enroll in the Blue Cross PPO or HMO. UAMS and St Vincent's are affiliated with United HealthCare and Qual Choice HMO's. Arkansas Children's Hospital is a participating provider within each of these plans. The fifth, Arkansas Heart Hospital is not in any of our networks and only accessible through the PPO as an out of network provider.

Given our defined contribution strategy our employees are well aware of the accelerating cost of health care. Their response has been to move to the lower cost plans even if it means more hassle to access specialists and also to drop dependent spouses who may have access to coverage through their own employer.